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## ENTERPRISE ZONE INFORMATION

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*Updated December 2009*

### **ENTERPRISE ZONE BENEFITS**

#### *Benefit #1: Income Tax Credits*

The process is outlined in detail in the Arizona Department of Commerce's [Program Guideline](#)

#### Eligibility

All businesses in the zone with less than 10% retail of products that are either manufactured at the location, food and beverage for employees, or promotional products with company logo. A business must create net new jobs over the previous tax year, limited to 200 jobs per year. Jobs must meet a quality definition as follows:

- Full-time, performed primarily at zone location
- Minimum target wage = \$10.21 per hour in 2009
- Health benefits paid at least 50% by employer
- Positions must be filled for a minimum 90 days of the tax year. Also, 35% of the new positions must be filled by zone residents. Jobs must be net new, and new to Arizona.

#### Tax Benefit

Employer can receive up to \$3,000 credit for each qualifying job, phased in over three years as follows:

- \$500 credit the first year
- \$1,000 credit the second year
- \$1,500 credit the third year

#### Process

1. Company is responsible for determining zone residency status of employee, preparing and filing forms, and maintaining records.
2. Employer retains normal personnel records related to wages, benefits and residency to substantiate credits in the event of an audit.
3. The employer claims credits on Form 304, Enterprise Zone Tax Credits, when filing State corporate income taxes.
4. Credits can be carried over for up to five years.



## *Benefit #2: Property Tax Reduction*

### Eligibility

- Business must be manufacturing.
- Business must be an independently owned and operated small businesses, meaning less than \$4 million in gross receipts or with fewer than 100 employees at the zone location.
- Minority and woman-owned business can be any size.
- To qualify, business must make minimum of \$2 million investments in fixed assets in zone.

Fixed assets are land, building and equipment. Investments must have been put in place after

December 31, 2000. Investments can be cumulative. The fixed-asset investment needs be made only once to initiate the property tax reclassification but the business must apply for recertification to Commerce annually to maintain eligibility. For certification in the next valuation year, an application must be submitted to Commerce by October 1st of the prior year. For example, if a business applies on or before October 1, 2007, Commerce will certify the business for the valuation year beginning January 1, 2008.

### Tax Benefit

An EZ business may qualify for a reclassification of real and personal primary property tax from Class 1 (25% assessment) to Class 6 (5% assessment) for five years.

### Process

1. Company is responsible for gathering all information, preparing and filing forms, and maintaining records.
2. Must be certified by Arizona Department of Commerce as being engaged in manufacturing, provide proof of investment, substantiate size or ownership. Forms are available from CED or Commerce.
3. Tax reclassification is effective for tax year beginning January 1 the following year.

## **FINAL AUTHORITY AND APPLICATION FORMS**

The Arizona Department of Commerce administers the program statewide and provides interpretation of rules and guidelines. The State program manager is Tiffany Frechette, [tiffanyf@azcommerce.com](mailto:tiffanyf@azcommerce.com), 602-771-1154.

Each year a company has an increase in jobs they should complete the following steps:  
(NOTE: To receive tax credits the company must complete all three steps in a timely manner.)

1. Report tax credits to the Arizona Department of Commerce on the prescribed [Form A and A-2](#).
  - i. Reporting Deadline: the law requires EZ Tax Credit Reports be reported to the Arizona Department of Commerce by the earlier of



either six months after the end of the tax year in which the credits were earned and claimed or before the date the tax return is filed for the tax year in which the credits were earned and claimed. Failure to file the required report with the Arizona Department of Commerce in a timely manner shall result in ineligibility for tax credits. Please allow at least 21 days for the processing of the reporting Form A and A-2.

2. Receive an acknowledgement letter from the Arizona Department of Commerce noting compliance with reporting requirements for the tax year.
3. File Arizona [Form 304](#) (for income tax credits) with your state tax return to the Arizona Department of Revenue or form [EZONE](#) (for premium tax credits) with your state tax return to the Arizona Department of Insurance.
  - i. Reporting Deadline: The law requires that credits be reported to the Departments of Revenue or Insurance on or before the due date of the tax return, including any extensions for the year for which the credit is claimed. Attach a copy of the acknowledgement letter from the Arizona Department of Commerce to the Arizona tax return.

